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**1991/04/18**

SECRET/NOFORN/NOCONTRACT/EXDIS

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BUREAU OF INTELLIGENCE & RESEARCH  
OFFICE OF ANALYSIS FOR EAST ASIA AND PACIFIC

CHINA LIGHTS

EXCISE

Report No. 193 April 18, 1991

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I. TAIWAN: TESTING US CONCERN AND COMMITMENT (4/6)

Taiwan officials, voicing increasing anxiety about PRC military intentions, point to greater militancy in PRC rhetoric, stepped up military activity near Taiwan, and a potential "fighter gap," especially if the USSR sells the Su-27 or other advanced fighter to the PRC. In fact, PRC rhetoric and military activity opposite Taiwan are within norms of recent years. The small number of aircraft the Soviets may sell the PRC is unlikely to be deployed earlier than Taiwan's indigenous defense fighter (IDF), which, together with possible air-defense upgrades, should maintain Taiwan's qualitative air edge to 2000 and beyond.

While acknowledging that cross-strait tensions have diminished greatly in the last four years, Taiwan officials have begun to assert that recent shifts in PRC policy and military developments on the mainland pose an increasing threat to the island's security. But the indicators they point to--official and semi-official statements; military exercises--continue to reflect the two-track approach Beijing has long pursued to induce Taipei to improve ties and begin talks aimed at eventual reunification.

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In a March 25

National People's Congress state-of-the-state speech, Premier Li Peng, promoting cross-strait economic and cultural exchange as the means to peaceful reunification, did not mention the threat of use of force.

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Exercise jitters. Many months after the fact, Taiwan press and some Taiwan politicians expressed worry about PRC military exercises on the China coast last year, including exercises far from Taiwan. Beijing appears to have timed an exercise opposite Taiwan in March 1990 to grab Taiwan's attention during a period of KMT internal political turmoil. Neither the March 1990 exercise near Taiwan nor others later in the year elsewhere on the China coast posed significant military threats to Taiwan.

Taiwan reacted swiftly to the PRC announcement last month that military exercises would be held throughout China. A leading Taiwan newspaper highlighted the PRC "threat," asserting that the PLA plans a large-scale exercise near the island. Though the level of PRC ground-force training nationwide appears to have increased, and may increase further in coming weeks, no major combined-arms exercises appear in the offing. Current activity across from Taiwan seems to be within normal parameters, though it is possible a higher level of exercise activity could yet occur elsewhere on the coast.

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II. CHINA: LI PENG STRIKES MODERATE TONE (3/26)

Opening China's annual two-week legislative session March 25, Premier Li Peng reaffirmed China's commitment to reform and opening to the outside world. Li had relatively harsh words on domestic political and human rights issues, though his acknowledgment of the importance of human rights was a significant departure from past practice. Li took a low-key approach in calling for renewal of MFN and expressed hope US-China relations would soon return to normal.

This year's National People's Congress will debate and ratify the much-discussed eighth five-year plan and a ten-year development program, both outlined by Li. Reports by other officials are expected to give at least a partial accounting of Tiananmen-related trials. Rumors continue that planning chief Zou Jiahua, Shanghai boss Zhu Rongji, and Foreign Minister Qian Qichen may be promoted to vice premier or its protocol equivalent, state councilor. [REDACTED] Vice Premier and Politburo Standing Committee member Yao Yilin did not attend, but is not expected to resign. B1

Moderate on the economy. Consistent with drafts of the plans first outlined late last year, Li called for moderate and stable growth rates, better macroeconomic control by Beijing, and continued support for state industry. But he also endorsed reducing mandatory planning; retaining state distribution of only a "few major products"; ceding more initiative to local officials and enterprises for implementing reforms and deciding on investments; expanding housing, labor, technology, financial, and consumer markets; and freeing most prices and wages from state control. But progress, Li said, must be predicated on maintaining social stability.

Tough on politics. Li reiterated criticism of "bourgeois liberalization," western plans for China's "peaceful evolution," and interference in Tibet. He particularly criticized "a handful of countries" for interfering in others' internal affairs, arguing this "pressure" has "seriously undermined international cooperation in the sphere of human rights . . . and obstructed . . . protecting human rights." But Li's acknowledgment in a state-of-the-state speech of the existence of human-rights norms is new, indicating Beijing's greater sensitivity to the importance of human rights in international relations.

Attention to foreign affairs. Li paid more attention to foreign relations than in the past. He praised Japan for taking the lead in resuming economic cooperation with China, calling relations with Japan "basically normalized," and said EC relations are "gradually being normalized." China, he said, has "always valued" US-China relations but could only "hope" they soon "will embark on the track of normal development." Li played down improvements in Sino-Soviet relations, weakly citing

general "progress" and "positive results" in border-force reductions. To build confidence in Hong Kong, he pointedly omitted last year's reference to the colony as a "base of subversion." He chided Taiwan for slow progress toward reunification.

Yet to come. Delegates will hear a grim budget report, including a record deficit, and reports on the continuing draconian crime crackdown. Debate on economic subjects could be lively--but only behind closed doors. The military reportedly will get a 12% spending increase, about the same in real terms as last year's nominal 15%. Personnel changes, if any, probably will not be announced until the final day of the session.  
(CCLarke) (CONFIDENTIAL)

### III. CHINA: HEWING TO THE CENTER (4/12)

Beijing's annual legislative session adjourned on April 9 after ratifying policy statements and personnel changes that underscore the leadership's continued caution. New Vice Premiers Zou Jiahua and Zhu Rongji

are centrists committed to a strong government role in the economy. Leaders deferred tough issues until 1992-93, when new party and legislative congresses will be elected for five-year terms.

Despite the leadership's attempt to demonstrate openness by holding several major press conferences, this year's lackluster National People's Congress session failed to generate even the limited controversy of past years; a number of gadfly delegates, including several outspoken Hong Kong representatives, either failed to attend or were muzzled. The session routinely passed a record-deficit budget, reports on China's rising tide of crime, two new laws, and the five-and ten-year economic plans earlier approved by the party.

Minimal leadership changes. Only the elevation of Zou and Zhu to vice premier--and of Foreign Minister Qian Qichen to "state councilor," the protocol equivalent of vice premier--attracted much attention. Zhu, the suave mayor and party boss of Shanghai, and a veteran of the central government economic apparatus, has been characterized in western media as a staunch reformer and a potential "Chinese Gorbachev." Zhu rejects such a label

Zhu appears committed to a significant measure of central control over the economy. New Vice Premier (and planning chief) Zou Jiahua is also on the conservative side of center.

1992-3 a year of Decision. Reflecting Beijing's continued focus on stability, Vice Premier Yao Yilin did not step down, [REDACTED] Aging Vice Premier Wu Xueqian also retained his position, blocking Qian's elevation to a full vice premiership. The leadership opted to allow them, and other aged leaders, to serve out terms that end in early 1993. b1

This resulted in the nearly unprecedented case of Zhu Rongji--not even a full Central Committee member--holding a vice premiership that normally carries a concurrent Politburo seat. Zhu will almost certainly be elevated at the next party congress in late 1992, if not before.

Guangdong Governor Ye Xuanping, widely viewed as a symbol of China's reform and openness policy, was appointed a vice chairman of the powerless Chinese People's Political Consultative Conference [REDACTED] Meanwhile he apparently will finish his term in Guangdong. b1

Cautious return to reform. Li Peng's state-of-the-state speech and the five- and ten-year plans endorsed cautious resumption of reforms, especially experimentation at local levels with policies that can ameliorate the country's growing deficit, improve social services, and enhance enterprise efficiency. Radical restructuring was ruled out, however, and though economic circumstances and political pressure from the provinces are forcing the leadership to move ahead with some price reforms and expansion of markets, all signs point to a continuing hard line on political issues, including dissent. (CClarke) (CONFIDENTIAL)

#### IV. JAPAN/CHINA: RELATIONS NORMALIZED (4/13)

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V. THE DALAI LAMA'S US VISITS, 1987 AND 1991 (4/11)

The Dalai Lama's visit to Washington from April 15-19 bears similarities to, and some important differences from, his 1987

visit, which preceded, and to a large extent precipitated, a cycle of protest and repression in Tibet that continues to the present.

In 1987 relations between Beijing and the Dalai Lama were seriously strained and deteriorating, as they are now. Then, as now, Tibetan human rights were high on the Congressional agenda and the Dalai Lama was/is in the US trying to drum up support for his position. Unlike 1987, however, Tibet does not now appear to be an issue dividing the Chinese leadership (all agree on taking stern measures to prevent unrest), and Beijing is more accustomed to handling frictions with the US over Tibet and to dealing with the Dalai Lama's overseas political statements. Tibetan activists also have learned from the massive Chinese use of force to adjust tactics, and appear reluctant to engage in mass protest that could result in widespread violence. Moreover, tensions with India are low and receding, removing India and related Chinese military moves in Tibet from the calculus of both Beijing and Tibetan activists.

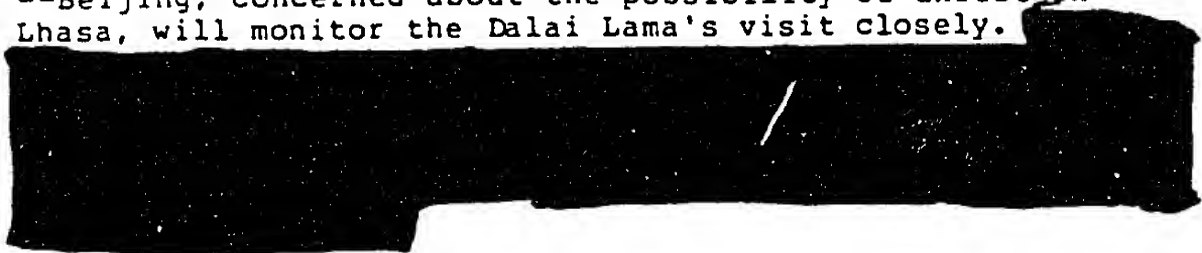
Nevertheless, several factors heighten concern about the possibility of unrest.

--A series of sensitive anniversaries running from March through May will keep tensions high in Lhasa, culminating in the planned May 23 celebration of the 40th anniversary of Tibet's "peaceful liberation," an occasion at which violence has been threatened. Several small-scale demonstrations and a few violent incidents have already occurred.

--The death of 19-year-old Lhakpa Tsering in jail last December could become a rallying point for dissidents.

--Recent statements by, and on behalf of, the Dalai Lama indicate he is moving away from his earlier (Strasbourg) proposal which demanded autonomy--but not independence--for Tibet. If he openly repudiates this position and demands independence during his US visit, this almost certainly would precipitate trouble in Lhasa. Similarly, if he or his entourage publicly call for the Congress to attach Tibet-related conditions to MFN renewal, Beijing will react angrily and activists in Lhasa could be emboldened to protest.

--Beijing, concerned about the possibility of unrest in Lhasa, will monitor the Dalai Lama's visit closely.





Partial Chronology of the Runup to  
September 1987 Protests in Tibet

--A year-long rise in Sino-Indian tensions resulted in armed clashes and came near open warfare. As a result, the PLA draw-down underway in Tibet since 1985 was reversed, apparently heightening resentment among Tibetans.

--Following General Secretary Hu Yaobang's removal from power in January 1987, rumors circulated that among Hu's major political errors was taking a soft line on Tibet and undermining Han rule in the region. Tibetans feared a crackdown and policy reversal.

--The US House of Representatives on June 18 passed a resolution criticizing China's human rights record in Tibet.

--The Dalai Lama visited the US from September 18-28. Speaking before members of the Congressional Human Rights Caucus, the Dalai Lama proposed a five-point plan to make Tibet a "zone of peace" free of Chinese troops and nuclear weapons. He criticized the PRC for destroying Tibetan culture and ecology. His remarks were billed by exile leaders as his first political speech outside India since 1959.

--On September 24, two ethnic Tibetans were executed for serious crimes, according to Chinese accounts, but Tibetan exiles claimed they were political activists.

--Apparently emboldened by--and seemingly tipped off in advance about--the Dalai Lama's speech, 21 monks and nuns held a protest rally in Lhasa on September 27, at least in part to protest the recent executions. (CClarke)  
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